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**EDITORIAL**

**Informality and policy in the making: four flavours to explain the essence of informality**

**Abel Polese**

*Tallinn University*

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CORRESPONDING AUTHOR:

Abel Polese ([abel.polese@tlu.ee](mailto:abel.polese@tlu.ee))

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I find it difficult to locate, in time, the moment when research on informality gained such a momentum in the social sciences, however I can at least recall a starting and arrival point. When I found inspiration to write a paper on the informal practices on the Odessa-Chisinau *elektrichka*<sup>1</sup> that I presented at the Max Plack Institute in Halle in 2005 (Polese 2006), “informality” was a term barely used in the social sciences, let alone in post-socialist spaces. It was a couple of years ago that I can remember how relieved I was to come across like-minded individuals, such as Colin Williams who devoted considerable effort and time to studying on informality, and whose focus at that time was Ukraine. That was the first time when I met, at least in person, someone who seemed to be dedicating his whole (professional) life to the cause of informality. Things then radically changed. It was not until 2013 that things began to radically change. Following a short break, I returned to academia only to find myself thrown into one of the most significant events, to the best of my knowledge, on informality and the post-socialist world. Thanks to a series of generous grants, my friend Nicolas Hayoz was able to invite to Fribourg approximately 120 scholars working on informality in the Balkans, Eastern Europe, Caucasus and Central Asia. The conference is also where I learned about the preparation of the “Global Encyclopaedia of Informality” (Ledeneva 2018) that eventually came out in 2018 and is, to date, both the main world reference on informal practices and a starting point for those willing to understand informality beyond a monetary, or economic, perspective. By 2013, ‘Informality’ seemed to have grown in popularity and become a buzzword decorating articles, books, special issues and a variety of academics works from a variety of regions. In spite of this personal and autobiographic digression, I have no intention to deny the long history of debates around the meaning and uses of informality. If we look at a mostly economic view on in-

<sup>1</sup>The train travelling across the Ukrainian-Moldovan border (editor’s note).

formality, I usually locate the first discussions around post-WWII debates on development. Explorations of the informal sector, as it was called at that time, affected a number of economic and economic positions (Lewis 1954, 1959) eventually evolving into several directions. From ultra-liberal views on corruption (Leff 1964) to the work of anthropologists shifting attention from monetary to non-monetary transactions; from the tangible and measurable to the symbolic and arguably intangible, for example Keith Hart's seminal work on Ghana (1973). Studies from the same period also evolved into more critical theories, for instance maintaining that informality is needed for capitalist expansion. Ultimately, from the International Labour Organization (1972) to the OECD (Jütting and Laiglesia 2009), informal labour and economic informality have been acknowledged as a major global concern, leading to debates on whether informal and shadow economies should be ultimately settled to start building a more equal society from scratch. Or else whether one should work to the formalization of the informal sector. Over the past decade, thus, informality has thus come to take so many different meanings and has been "captured" by other disciplines such as urban planning, development, corruption studies and governance at the same time. This is not to discourage future works seeking to build an interpretative framework on informality. In several years of research on informality, I have come across several meanings of informality that can be regarded as harming the state but not the society, harming both or even benefiting both state and the society and it would be worth continuing a quest towards a "theory of informality". The problem with acceptance of informality is that not all practices that are considered harmful by international organizations are necessarily deleterious, or are perceived as such, by a society. By the same token, not all practices deemed acceptable according to international standards or normative positions are guaranteed to achieve the expected results. In this, it is pertinent to begin from the matrix by

Van Schendel and Abrahams (2005) separating legalistic (legal/illegal) and cultural (licit/illicit) perspectives on a given action or practice. The underlying principle is that practices that are perceived as illegal might be regarded as acceptable (licit) by one or more segments of a society. In contrast, pressure from external actors might impose practices that are viewed as socially unacceptable in a given culture or context onto that country's legal system.

What follows in the next short sections is an attempt to classify informal practices with the simple goal of testing their applicability to different contexts and situations. I am sure more informalities can be “discovered”, but I find that, at least as a starting point, the four ‘flavours’ (Polese 2018a) laid out below provide a mechanism for classifying the main directions of informality and provide ‘food for thought’.

### **1. Flavour 1: informality in top politics**

This has been studied both in the context of domestic politics, and in particular Ledeneva (2006, 2013) as a main figure in the field, and the work of Stone (2010) which covers the management of international organizations. The category can be stretched to include management of international disputes or political crises. For one thing, setting the agenda for the study of informal political institutions, Helmke and Levitsky (2004) provide an extensive list of formal institutions, some of which are based in the Western world, that make wide use of informality in order to function. A further suggestion in the same direction is, in my view, the work *Lawlessness and Economics* (Dixit 2007) looking at the way, for the sake of better economic effectiveness, companies and extremely formal actors, choose to rely on informal institutions and mechanisms to settle international disputes. The general idea is that informality is not necessarily disruptive when it comes to high-level govern-

ance structures. For example, an institution, or entire system of governance, which is deemed dysfunctional according to theoretical prescriptions can at times run in a more orderly fashion than otherwise expected. This raises questions among some authors/practitioners who operate under more rigid theoretical precepts which may hinder any understanding of how ‘ineffective/corrupt’ systems function on a day-to-day basis. For post-Soviet spaces, Ledeneva is possibly the scholar with the longest track-record of research on informality in the post-socialist region. Starting from the role of long-term relations and the practice of *blat* (favours) in Russian society and politics (Ledeneva 1998), she has chosen the word “sistema” (Ledeneva 2013) and used it to discuss “*methods of informal governance*.” In this context, institutions which are technically unreliable and ineffective function ‘successfully’ on the basis of centralized agency of one influential individual, for example Russian President Vladimir Putin in Ledeneva’s case. This person knows what strings to pull, whom to call upon and how to motivate people to eventually make things work. Although it seems to work perfectly in the short-run, this illusion of effectiveness is linked to the agency of a single person, and possibly his entourage, making it impossible to replicate the same structure and procedures once this person is no longer in charge. We talk, in other words, of a system of governance with no memory. The moment the leader departs, a transitory period is needed to re-create the power structures and dynamics which enabled the system to function and there is no guarantee that it will work in the same way, or in the same direction. Such a situation denies the principle of replicability of a public administration, political ideology or political system. A political ideology and a political system should outlive their creators, not die with them. A public administration should work the same way, and with the same effectiveness, regardless of any intergenerational divergence which may impact the leadership of the administration. A cognate study by Darden (2007) has also led to

similar results, showing that a highly corrupt political environment was not necessarily entirely dysfunctional. In fact, in his study on Ukraine he managed to show that, despite widespread blackmail and political corruption under the Leonid Kuchma administration (1994-2005), the Ukrainian parliament had managed to adopt an impressively high volume of laws and regulations. Arguably, the system worked and achieved tangible results, albeit in more unexpected circumstances and not according to the precepts of external observers.

## **2. Flavour 2: economic informality**

Across the world, revenues are hidden, companies fail to register their business, workers operate in precarious conditions. These are not minor practices: a recent OECD report estimates that the informal sector makes up two thirds of the world economy (Jütting and Laiglesia 2009). Not surprisingly, this is also the category of informality on which research is most developed, especially in the field of economics. It is relatively easy to classify and measure it since it regards mostly economic and measurable activities. Research in this direction explores the role and typology of actors involved in these kinds of activities and striving to conceal, misreport or do their utmost to render them unmeasurable as shown by Putniņš and Sauka (2015) as well as Schneider (2013) and Medina and Schneider (2018), who have elaborated ways to estimate the level of informal economy in a given context. As far as economic informality can be regarded as damaging governance, reducing tax income and thus public spending, in environment with highly restrictive legislation, whereby rules are difficult to navigate, can also act as a safety valve, allowing actors formally excluded from the economy of a country to operate on the market, although only under certain conditions and in specific cases.

### **3. Flavour 3: informal payments (or corruption)**

This is perhaps the widest, and thus the most confusing category of informality used across countries and sectors. With some flexibility allowed, any exchange between two, or more, actors can end up in this category. The problem with the amalgamation of all informal payments in one category here is double-edged sword. One is that, in a number of cases, the same category hosts very different transactions: payments of several millions to a politician to get a multi-million contract, or a small sum paid to a doctor thanking them for a service provided free of charge. The other is that the same gesture may have different meanings depending on the context. For instance, a payment demanded before medical attention can be regarded as blackmailing (for example, if payment is not received, I will not operate/prescribe these drugs) but a payment after the service can be regarded as a sign of gratitude (for example, please kindly accept this gift for having gone above and beyond in helping us). However, corruption is used to refer to anything, from a one-off payment to a bureaucrat to previously-agreed payments to the medical staff upon giving birth to a payment to a politician to get a given law approved in the parliament. And the category is expanding and, in an effort to find a satisfactory definition, international organizations sometimes provide a definition of informality that is way too close to other social phenomena. For one thing, consider the definition of a 'bribe' put forth by the IMF (Tanzi 1998) as a gift which implies expected reciprocation. It creates a category where any kind of social exchange can be flagged as a bribe. However, in societies where interdependence between citizens is very high, gift-giving may respond to social etiquette requirements. In some occasions, these payments make the system work, are a contribution to salaries (Polese 2006), make feel civil servants gratified (Patino 2002), make up for limited cash available

(Rivken-Fish 2005). These kinds of payments are arguable a solution, not necessarily the problem itself.

#### **4. Flavour 4: informality and a path to infrapolitics**

Take a situation in which a citizen of a given country is behaving in a way which is not in accordance with said country's laws and norms. In a standard situation, the person would be considered a deviant or, in a more extreme case, a criminal. Multiply this situation by a thousand of times and apply it to a large number of citizens and you have what Scott has defined as *infrapolitics* (2012). What is the value of a rule that few, if anyone, abide to? A state can give instructions, in the form of laws and rules, on how people should behave. They have enforcing and punishment mechanisms to deal with the isolated non-compliance cases. What happens when non-compliance becomes the norm? Or at least it is widespread among certain segments of a population or some geographical areas? Public policy is successful when it benefits the majority of the citizens of a country, who will in turn actively support such a policy. What about the rest of the citizens? They should support the policy at least passively, that is not to oppose it. Still, there are cases where disagreement with a policy leads to passive resistance by "forgetting" to follow a given rule, or interpreting in a different way, as documented by Scott (1984). This also emerges through the papers in this special issue, with the authors looking at the intersection between patterns of behaviour that generate at the societal level and how they might potentially contradict state-originated rules and laws and how compromises are found. There are no pre-defined patterns. In some case the state proposes some rules and people follow. In some other cases, people do not automatically follow the instructions received, they oppose them, renegotiate them or even fight them. In some other cases, people come up with their own rules and the state, or the



country's elites, after some initial resistance, realize that could contribute to better governance in some sphere. This eventually leads to the transformation of an informal rule, or behaviour, into a formal one, what I call "*purchase*" by the state of an informal practice (Polese 2016a, 30). The problem of the liquidation-formalization dichotomy is two-fold. First, who shall decide what it is worth keeping and thus formalize and what, instead, should be liquidated, destroyed and rebuilt from scratch? Hypotheses and assumptions can be made, and a variety of considerations might guide law-makers in the decisions. However it ultimately sounds like a moral judgment to separate what it is worth preserving versus what needs to be erased in the economy of a country. The problem is, as many have noticed, that each practice may have a different meaning depending on the context (Gill 1998; Gudeman 2001). Ultimately, there is no one informality but many. While I still believe in the distinction between "*the two informalities*" (Polese 2016b) with one going against the state and the other helping it to function in spite of its dysfunctionalities and idiosyncrasies. However even practices formally going against a state could be, in some cases, domesticated or institutionalized and eventually be taken advantage of.

Table 1. Flavours of informality and their advantages/disadvantages

	Legal perception	Social perception	Pluses	Minuses
<b>Informal governance and <i>sistema</i></b>	Reciprocity may be treated as nepotism or corruption but no legal framework to deal with the situation where everyone has something to hide	Range from “necessary evil” to get things done to “evidence of advanced degradation of a country and its society”	Avoids collapse. A last minute or ad-personam solution is usually found	No development perspective. Effectiveness depends on people. When they change, everything starts from zero again
<b>Shadow economy and informal labour</b>	Tax non-compliance and failure to register a company is illegal	Hard to find someone openly condemning it. It is usually “us” against the (bad) state and usually justified or understandable as attitude by those not directly harmed by it	Allows a large amount of people to survive. Can be used as a starting point to think of tax and other reforms	Takes away revenues from state budget; puts the country in a negative light with regards to business environment, represents an additional cost to secure compliance
<b>Informal payments and corruption</b>	Some transactions are formally illegal and punishable. Framework to deal with non-monetary transactions is largely absent	Understanding, or even empathy, is visible in some categories and cases (doctors, teachers) more than in others (police, tax inspectors). Overall, however, they contribute to the perception of the country as under-developed	Allows many people to “get things done” in situations where huddles and limitations (to their basic rights as citizens) are present	Makes the system unpredictable and difficult to understand (especially to external actors and newcomers); makes it easier to abuse authority and power
<b>Informality and policy-making</b>	There is virtually no debate or awareness	Little reflection. It is treated as an exception to a usually widely accepted rule or behaviour	People who are unable to meet state requirements or act as they are supposed to can still “live with the rule” and need not to take action, protest or challenge the state	Generates a gap between policy-makers (setting impossible objectives) and the people (especially those who cannot live with these objectives)

Source: Polave 2018b.

## **5. Epilogue: who needs (what) informality?**

Informality research provides excellent food for thought and a basis to critically look at a number of widely accepted normative assumptions; yet, it tends to suggest that ‘things do not work the way they are supposed to work’, that is, according to mainstream predictions of social and economic theories. What it seems to be lacking in informality research, then, is a thorough reflection on how things actually work, behind and beyond the above-mentioned predictions.

From a public policy perspective, informality could be used to improve state performance, governance structures and dynamics. Each policy measure brings forth both advantages and disadvantages on various parts of the population. Some segments of a population might find it advantageous to abide by a certain rule or a ruling elite might impose some additional costs for some parts of a society, or even its entirety, in order to achieve their overarching goals. In other words, it becomes convenient to go beyond ‘good’ and ‘bad’ to move through other categories such as long or short-term benefits for a given category or segment of a population. In some cases, public policy might negatively impact a large portion of the population in favour of a minority which is more in need of immediate assistance.

If we embrace this perspective then informality, or at least some informalities, can be regarded as being neutral and in bringing both advantages and disadvantages. Allowing development of a form of informality, or simply refusing to liquidate a given form of informality, may be regarded as an act of public policy as far as there is awareness of what are the advantages of a given form of informality and they are in line with the objectives set for a given period.

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